

## Uncle Sam Lends A Financial Hand

*Richard Barovick*

### **Letter of Interest financial package in place to help land emerging market business.**

That old greeting, "I'm from the federal government, and I'm here to help you," used to bring peels of laughter to the entrepreneurial world. But some things have really changed. And, they recently got better for small- and mid-sized U.S. exporters.

Uncle Sam has unveiled a new export finance strategy that promises to make life easier for companies that bid on project tenders in the emerging markets. The approach is the product of what's called the Trade Promotion Coordinating Committee (or TPCC), an interagency Washington group that charts an annual U.S. export development plan.

Involved here is an Early Project Development strategy first unveiled in 2002, to enable U.S. exporters to compete effectively against their European and Japanese rivals, who have benefited from the long-term commitments of their national governments to position their companies in important markets.

In 2003, the key U.S. agencies involved-the Commerce Department, the Export-Import Bank and the Trade and Development Agency-began implementation through joint business building operations in Russia, Brazil, and Mexico.

Then, in August 2004, the final pieces of the new thrust were put in place. They included a re-organization at the Commerce Department that gave an enhanced, central role to the Advocacy Center, which spearheads Uncle Sam's support efforts, and an enlarged package of financial tools that the Center can bring in.

### **The Advocacy Center is key**

The Advocacy Center was placed within the Commercial Service, the U.S. and overseas office network at the International Trade Administration, Commerce's export arm. That provides the resources to work closely with exporters both on their home ground as well as internationally (where the project tenders are being developed).



Also, the U.S. representatives at each of the major multilateral development lenders, such as the World Bank (Washington) and the Asian Development Bank (Manila), became part of the Center, which speeds up the flow of business intelligence to U.S. exporters (this network spots new opportunities early), and connects the network to the larger U.S. campaign to land project business.

Plus, Dan Bloom, the trade finance veteran brought in to run the Center, now can tap formal agreements with the Export-Import Bank and the New York-based

Private Export Funding Corporation (or PEFCO) to marshal their resources, when needed, to beef up a bid.

Bloom has a background in both the government and private sides of trade finance. He worked at the Export-Import Bank and the Small Business Administration in Washington, then ran a program at the Bankers Association for Finance and Trade, before becoming a trade finance consultant.

### **The financial arsenal**

The Advocacy Center is now relying on a more pro-active use of the Export-Import Bank's letter of interest (or LI), which conveys the message that the U.S. agency is willing to finance an exporter's bid to sell goods and services, assuming that standard transaction conditions are met.

The LI is not a firm commitment, but rather a credible indication of support on which a buyer can rely in evaluating competitive proposals. The Bank has been offering it more quickly, and in increasing numbers, as part of the early project development strategy.

"We help insert the LI into the exporter's tender documents, and it becomes a big selling tool," said Bloom. The Advocacy Center was able to bring in \$15 million worth of LI's during Ex-Im Bank's fiscal 2004 (first year of the new strategy), for the benefit of smaller and medium-sized exporters, and the numbers are growing. Under the arrangement between Ex-Im Bank and the Commerce Department, Ex-Im has agreed to provide expedited processing to the Advocacy Center's cases.

And, the Center's relationship with PEFCO means it can bring commercial bank financing into the package. The New York finance company issues a commitment, where needed, to purchase the trade receivable, thus removing it from the lender's balance sheet, and enabling lenders to maintain liquidity. That can make individual deals more doable and comfortable.

At the same time, the Advocacy Center also works with the Trade and Development Agency (TDA), a small Washington institution that offers feasibility studies and training grants which can help close a transaction. And it works occasionally with the Overseas Private Investment Corporation, which insures and finances projects.

A recent experience sheds light on how it's done. Landrum & Brown, a small Cincinnati, Ohio-based airport planning firm, bid on two China projects, with Advocacy Center backing, and a TDA grant. In an international competition to design expansion of Beijing's terminal, it came in second. But Uncle Sam's support had helped put it on the map in China's project circles.

So, when a similar competition came up in Shanghai, the firm was able to leverage a TDA training grant to land a contract for the master plan. It worked closely with the Advocacy Center's China specialists. As Brian Sullivan, its marketing director, put it: "As a small firm with limited resources, the Advocacy Center made all the difference."

Meanwhile, the government-wide strategy and the Advocacy Center's role have an expanded focus on smaller and middle-sized exporters in landing these deals. "We have made a priority of reaching out to these firms. and now that we're part of the

Commercial Service, it's a lot easier," said Bloom. "We used to get involved through the offices overseas, but now more deals come to us through the domestic offices," he added.

### **How to get the Center involved**

Exporters often plug into the government network through one agency or another, but it's helpful to establish contact with the Advocacy Center early on if the business involves project tenders in the emerging markets. For starters, look at the unit's web site, at [www.trade.gov/advocacy](http://www.trade.gov/advocacy), which spells out how it works, and what it takes to be eligible for support.

The Center also has an application form on the site, which you can submit through e-mail, and get going quickly. The earlier this is submitted, the better. The web site has a staff directory, with e-mail addresses, and the staff is organized geographically, so you can spot who handles China or Latin America, and who serves as the small business advocate in the shop.

The expanded role of the Advocacy Center says a lot about how far government has come in integrating its support for U.S. bids in emerging market projects. In these places, a formal letter or a meeting with an American official has always meant a lot in the bidding process. But, now, with the new arsenal of financial resources available, U.S. competitiveness looks sure to get a major boost.